

**By Michael Boulus
Executive Director
Presidents Council, State Universities of Michigan
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Investing in higher education is investing in our economic future

Just last month, a bipartisan commission of business and labor leaders, elected officials and academicians agreed: "The only way to create a vibrant economy is to make higher education and innovation the top economic priorities for Michigan."

That statement, from the report of the Lt. Governor's Commission on Higher Education and Economic Growth, will be put to the test in the months and years ahead. If higher education is our top priority, we need to make sure that we are investing in that top priority.

Lt. Gov. John Cherry, who led the commission at the request of Gov. Jennifer Granholm, laid out the challenge to Michigan in stark terms that need to be reiterated at every junior high and high school graduation ceremony and at every meeting of legislative appropriation committees this spring:

"The days when you could earn a good living in Michigan with only a high school diploma are long gone," Lt. Gov. Cherry said. "We need to fundamentally change our thinking to match the realities of today's economy, and that means post secondary education for all."

This requires nothing less than a culture change for our state. It means changing the thinking of many parents and students, and even much of our K-12 system.

It is also a culture change for our state government. During the last three years, Michigan's Legislature and governor have steadily cut state allocations to higher education. More than \$250 million has been cut during that time, while costs -- particularly health care, retirement and energy -- have been skyrocketing. And there are some in state government who have advocated even deeper cuts in higher education investment.

As a result of these cuts, along with a growing student population, per student state spending on our public universities has dropped from \$6,840 per student in 2000 to \$5,720 per student today.

There's been another kind of disinvestment, too. On top of the state cutbacks, Michigan universities were required to hold tuition increases to 2.8 percent for the 2004-05 school year. Most of Michigan's public universities held tuition increases to 2.4 percent for this school year, compared to a national average increase of 9 percent.

The combination of declining state aid and holding the line on tuition has imposed an important cost on our public universities and their students.

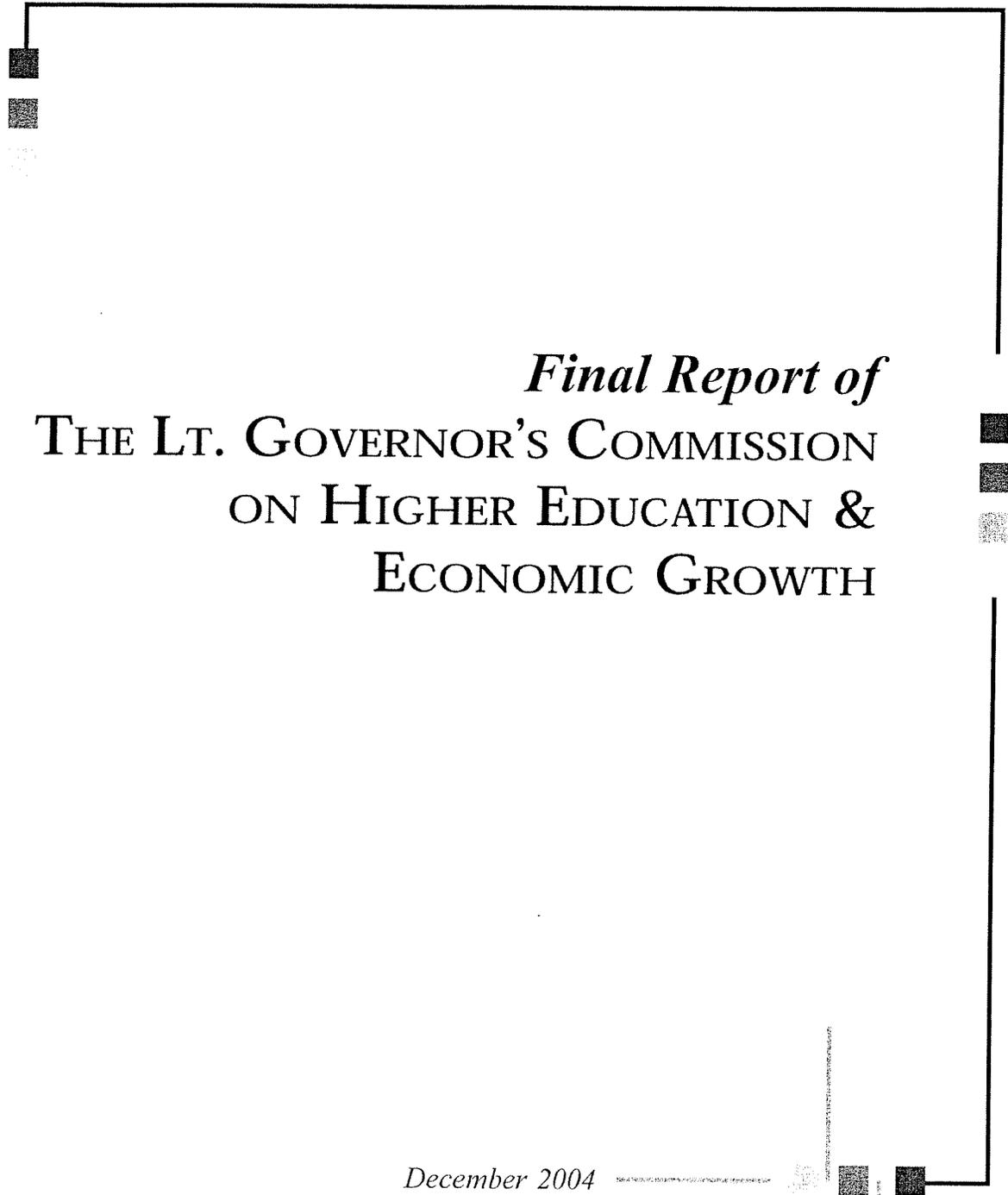
- Class sizes are increasing, making it harder to provide the individual attention that helps students get the most out of their experience.
- Faculty salaries are not keeping up, creating a brain drain, with some of our best and brightest moving to other states.
- Universities are forced to open fewer positions in high-cost majors, such as nursing, despite demand from students and employers.
- Universities are falling behind in providing appropriate laboratory and technical facilities for students. Dormitories at the University of Michigan, Michigan State University and Central Michigan University were overbooked this fall. Some students were given extra roommates; some undergraduates were housed in family housing.
- Michigan universities have cut more than 2,000 employees from their payrolls, and most have a hiring freeze in place.

Quite simply, universities bludgeoned by budget cuts and battered by tuition limitations cannot deliver the high quality graduates and top notch research that Lt. Gov. Cherry's commission said is vital to Michigan's economic future.

Our state's future is riding on the willingness of Michigan to invest in higher education. There is a lot of talk in Lansing today about setting funding priorities. Dollars are scarce. The cookie-jars have been raided. The book of the day is "The Price of Government," which recommends setting priorities, then funding the highest priorities, and letting other programs languish.

But after finishing that book, lawmakers and policymakers preparing for an investment and priority-oriented budgetary process that will lead to more and better paying jobs should add something else to their reading list: The report of the Lt. Governor's Commission on Higher Education and Economic Growth.

Michael Boulus is executive director of the Presidents Council, State Universities of Michigan, a nonprofit higher education association serving Michigan's 15 state universities.



Final Report of
THE LT. GOVERNOR'S COMMISSION
ON HIGHER EDUCATION &
ECONOMIC GROWTH

December 2004

Prepared for
Governor Jennifer M. Granholm



ACKNOWLEDGEMENTS

The commission thanks its benefactors, DaimlerChrysler, Ford Motor Company, General Motors, and Manulife, whose generous financial contributions allowed the commission to accomplish its task. The Council of Michigan Foundations was also instrumental in providing financial assistance to the commission.

The commission also acknowledges the time and effort of those people who served on the work groups. Their participation informed the commission in critical areas and contributed a breadth and depth of expertise without which this report could not meet the governor's charge.

A number of institutions deserve acknowledgement and thanks for contributing key resources that facilitated the commission's work. Public hearings were the most vital component of its fact-finding efforts, and several institutions—Grand Rapids Community College, Lansing Community College, Northern Michigan University, Northwestern Michigan College, Saginaw Valley State University, and Wayne State University—generously provided facilities and other enabling resources. The Delta-Schoolcraft Intermediate School District, the Ingham Intermediate School District, Lawrence Technological University, Michigan State University, Northern Michigan University, and the University of Michigan all opened their real and virtual facilities to the commission and work groups for meetings.

Finally, the commission is grateful for the tireless work of John Austin, who served as policy director for the commission. Senior policy adviser John Burkhardt, PhD, director of the University of Michigan Center for the Study of Higher and Post-Secondary Education (CSHPSE), worked with a team of researchers to support the commission's work: Britany Affolter-Caine, Nathan Daun-Barnett, Mark Garrett, Laurel Park, and Tom Perorazio from the University of Michigan's CSHPSE; and William Edwards from Michigan State University's Education Policy Center. Senior policy advisor Jim Jacobs, PhD, of the Community College Research Center at Columbia University, also contributed to the effort. In combination with staff support from Public Sector Consultants, the research team expertly captured both the intent and the spirit of the commission's findings and facilitated the delivery of this report to the governor within the time allotted.



■ FOREWORD

In June 2004 Gov. Jennifer M. Granholm signed Executive Order No. 2004-32 (Appendix A) and announced the formation of the Lieutenant Governor's Commission on Higher Education and Economic Growth, chaired by Lt. Governor John D. Cherry Jr. The executive order charged the commission with identifying strategies to double the number of Michigan residents with degrees and other postsecondary credentials of value within ten years. The deadline given to the commission for its final report was December 31, 2004.

Thirty voting members were appointed to the commission; nonvoting members included the directors of the Departments of Labor and Economic Growth, Education, and Information Technology; the state budget director; the state treasurer; the president of the State Board of Education; two state senators; and two state representatives. (A list of the commission members is provided in Appendix B.) The commission met four times over a six-month period to consider the issues and discuss recommendations consistent with the charges in the executive order. Four subgroups of the commission, supplemented by additional experts and stakeholders, engaged in additional meetings, e-mail exchanges, and telephone conferences between full commission meetings. The four work groups were in the areas of:

- **Improving Preparation**—encompassing curriculum, standards, assessment, instructional modes, and advanced placement and dual enrollment opportunities for high school students
- **Expanding Participation**—focusing on instilling higher levels of educational aspiration in Michigan residents, removing financial and cultural barriers, and increasing higher education capacity and distance learning opportunities
- **Increasing Degree Completion**—focusing on barriers preventing students from completing degrees, better accommodating students' varying paces of attainment, easing student transfers, and expanding articulation agreements on credits among higher education institutions
- **Maximizing Economic Benefits**—focusing on aligning degree-granting programs to emerging business needs, workplace-specific and on-site education, commercialization of university research, and entrepreneurial partnerships between public education and private business

Each work group met independently six or seven times over the course of the commission's work.

The commission spent most of its first three months collecting and analyzing information about higher education issues in Michigan and how Michigan trends and governmental policies compare to those of other states. The commission used a variety of means to accumulate background information needed to understand which higher education issues were most important to developing Michigan's workforce. The following approaches

were used to build a common knowledge base as a foundation for the commission's final recommendations to the governor and the legislature:

- Solicitation of public comment through a series of six public meetings held throughout the state, online comments through the Cherry Commission website (www.cherrycommission.org), and the submission of written comments. (A summary of comment from the public meetings can be found in Appendix C.)
- Presentations to the full commission and to commission work groups by leading national and Michigan experts on specific higher education topics identified as critical.
- Research briefs and special reports on various higher education issues prepared by commission staff, universities, research organizations, and state agencies.

Where practical, the full text of background materials was also made available to the public on the commission website.

Recommendations emerged from work group deliberations and evolved in an iterative process, with each work group discussing and refining recommendations and issuing individual reports to the commission (provided in Appendix D). Commissioners and work group members provided approval on the overall direction of each work group's recommendations before the November commission meeting. This final report is a compilation and synthesis of all of the work groups' recommendations and reflects the consensus of the commission.



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INTRODUCTION

If we want a high-performance economy, we must work now to improve the strength, depth, and adaptability of our colleges and universities. The mission of this commission could not be more critical to our state.

Gov. Jennifer M. Granholm, March 15, 2004

With those words, Gov. Jennifer M. Granholm established the Commission on Higher Education and Economic Growth under the leadership of Lt. Gov. John D. Cherry Jr. She also gave the commission a daunting charge—within the next ten years find ways to double the number of Michigan residents who obtain college degrees and other valuable credentials. As she had said in her 2004 State of the State address just weeks earlier, Michigan's economic position has changed, and the state will have to travel new roads to reach a brighter economic future. Now she was asking the "Cherry Commission," as it would be known, to blaze a trail that would dramatically change the nature of Michigan's workforce.

Michigan began the twentieth century as a hotbed of innovation and entrepreneurship that led to the state's domination of the industrial economy. Michigan created the automobile industry and became a world leader in furniture manufacturing, pharmaceuticals, chemicals, and other industries. The state's manufacturing base created a thriving Michigan economy, one in which workers with little formal education in the traditional sense were able enter the middle class and earn a decent living. It also attracted people from across the nation and around the world to live and work here, to make these splendid peninsulas home.

Today, the foundations of Michigan's economy have changed, in response to a worldwide knowledge revolution. To thrive economically, Michigan must now adapt and innovate to contend with global—not just national—competitors. To do that, Michigan must ensure that its residents are the best educated in the world and prepared for a lifetime of learning.

Facing this economic imperative, the governor asked the Cherry Commission to develop a set of powerful ideas that would transform Michigan's education system and help the state make the transition into today's economy by instilling in all residents the aspiration for education beyond high school, developing their ability to achieve postsecondary success, and providing them with access to a wide variety of learning institutions.

Michigan public and private education institutions—from colleges and universities to community colleges to technical apprenticeship and certification training programs—offer Michigan residents the opportunity to achieve postsecondary success in numerous forms. Many Michigan residents will complete baccalaureate degrees—or better yet, postbaccalaureate degrees. Others will complete associate's degrees or certificate programs in fields vital to Michigan's economic future such as health care, advanced manufacturing, and information technology. Still more will complete apprenticeship

and technical training programs after high school. Some will become entrepreneurs informed and motivated by an education that supports this ability.

To grow in the decades ahead, Michigan needs an unprecedented number of residents who have reached these milestones along the higher education continuum. At the same time opportunities for those who end their education at high school will continue to diminish. Those who say that all Michigan residents do not need a four-year college degree are right. But anyone who believes that Michigan residents can look forward to a good life with only a high school diploma could not be more wrong.

The governor and lieutenant governor challenged the bipartisan commission to make policy recommendations that would meet three goals:

1. Double the percentage of residents who attain postsecondary degrees or other credentials that link them to success in Michigan's new economy
2. Improve the alignment of Michigan's institutions of higher education with emerging employment opportunities in the state's economy
3. Build a dynamic workforce of employees who have the talents and skills needed for success in the twenty-first century

Under Lt. Governor Cherry's leadership, the 41-member commission took its responsibility seriously, conducting wide-ranging research and intense deliberations. The commission heard testimony from scores of leaders and residents from all walks of life, and gathered input from hundreds more by mail, online, and in person. The report that follows reflects not only the insights gained from that work but also the commission's strong sense of urgency about the need for change to give Michigan the economic future it wants and deserves.



THE CHOICE

Michigan is at a moment of decision. Having established the standard of economic success in the industrial economy of the twentieth century, Michigan is today precariously balanced between that era and the changing economy of a new century. Michigan's residents, businesses, and governments can either move **forward** to a future of prosperity and growth fueled by the knowledge and skills of the nation's best-educated population or they can drift **backward** to a future characterized by ever-diminishing economic opportunity, decaying cities, and population flight—a stagnant backwater in a dynamic world economy.

This report of the Lt. Governor's Commission on Higher Education and Economic Growth reflects the imperative of fundamental change in Michigan's economy and the role education plays in this transformation. Michigan's willingness to work hard and its ability to innovate are characteristics that gave state residents a high standard of living in the last century. That legacy—the quality of life we enjoy today—is imperiled by a changing economy in which knowledge is the key to economic growth and opportunity. **Michigan can meet this challenge only if it has the courage to set and achieve within the next ten years a new expectation for learning: postsecondary education for all.**



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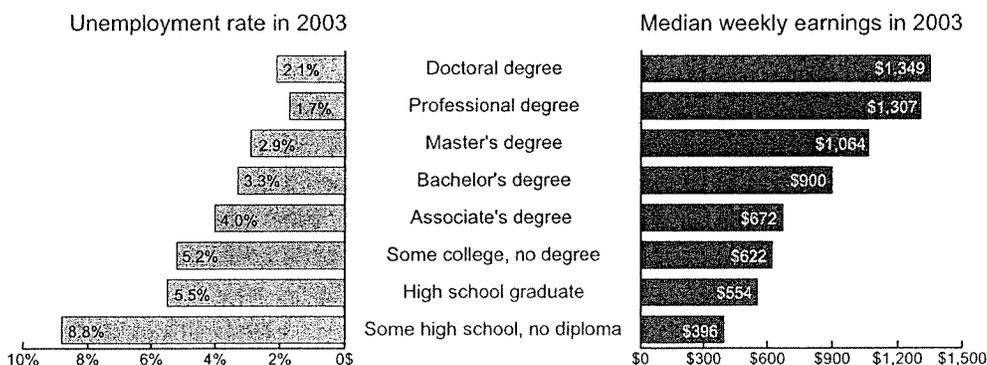
WHY HIGHER EDUCATION MATTERS

Education has long been recognized for the many ways it enriches individuals and communities. In today's economy, a highly educated population has a second and immediate benefit: when work can be located anywhere in the global village, economic growth and jobs will be created in those regions that have this key ingredient.

For most of the last century, Michigan's residents enjoyed a higher standard of living than almost any people in the world. The work involved in mass-producing cars and other products provided decent wages to workers who had relatively little formal education. Today that world is gone. In its place is an economy that demands significant educational achievement in all but the lowest paying sectors. Even production jobs in Michigan's world-leading manufacturers today demand workers with advanced education and skills.

As in the country as a whole, **education levels determine Michigan residents' income levels and either limit or expand their opportunities for future economic gains** (see Exhibit 1).

EXHIBIT 1
U.S. Unemployment Rates and Earnings by
Educational Attainment Level, 2003



SOURCE: U.S. Bureau of Labor Statistics.

NOTE: Unemployment and earnings for workers aged 25 and older, by educational attainment; earnings for full-time wage and salary workers.

Each year of college attainment enables an individual to increase annual earnings by an average of 10 percent. Furthermore, the gap in earnings between persons with a high school diploma or less compared to those with an associate's, bachelor's, or advanced degree has been widening since 1975. This gap in earnings has grown, even as the supply of college-educated workers has risen.

There is also a strong correlation between the education level of a state's workforce and

its economic vitality. States that educate and nurture creative talent—and that build and maintain the necessary K–12 and postsecondary education systems—keep and attract people and investment and can capitalize on the multiplier effects that create new companies and jobs. Recent research shows that a 5 percent increase in the share of college-educated adults would boost overall economic growth by 2.5 percent over ten years, and the real wages of all Michigan residents by 5.5 percent.

As shown in Exhibit 2, over the past 30 years per capita income growth in Michigan has decreased by 12 percent relative to the U.S. average, putting it well behind the best-educated states (that is, those states with the highest shares of knowledge industries and highly educated people).

EXHIBIT 2

Per Capita Income in Selected States, 2001, Ranked by Percentage Change Relative to U.S. Average, 1969–2001

State	2001 per capita		1969–2001 income		Share of population
	personal	Rank	change relative to	Rank	25–34 with bachelor's
	income		U.S. average		or higher degree
					in 2000
U.S. Average	\$30,527		n/a		27.5%
District of Columbia	\$45,284	1	31.24%	1	50.6%
Massachusetts	\$38,945	4	18.06%	2	41.4%
Colorado	\$34,003	7	15.51%	3	34.8%
Connecticut	\$42,550	2	13.37%	4	35.3%
Virginia	\$32,328	12	13.25%	5	33.1%
New Hampshire	\$33,771	8	13.23%	6	33.3%
New Jersey	\$39,077	3	10.39%	10	34.7%
Minnesota	\$32,722	11	8.99%	14	34.5%
Maryland	\$35,355	6	6.43%	20	34.2%
Michigan	\$29,499	20	-11.78%	47	26.0%

SOURCE: U.S. Bureau of Economic Analysis.

NOTE: These states were selected because they all experienced above-average income in 2001 and above-average income growth over the previous 15 years.

Further data indicate that the disparity illustrated above is **accelerating** as people gravitate toward states and metropolitan areas that have already established themselves as talent centers in the world economy.

The fact that postsecondary education leads to greater economic growth is undeniable, and the reasons are equally clear. Postsecondary education

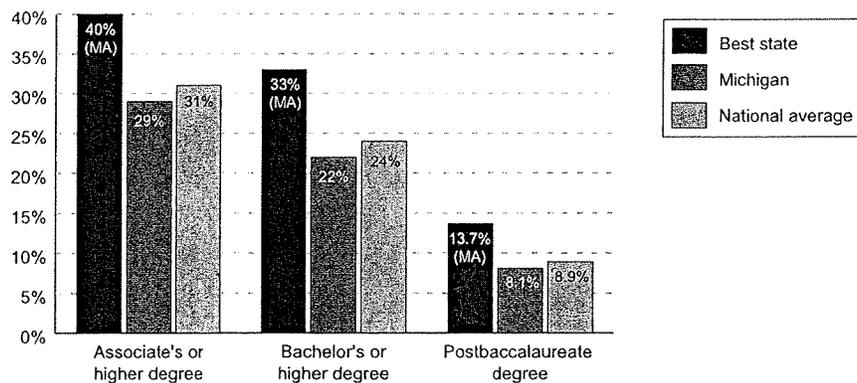
- **fosters discovery of new ideas** that create new goods, services, and whole industries;
- **prepares people** in the disciplines and with the skills demanded by today's economy;
- **builds dynamic, attractive communities** where creativity and culture create the quality of place that is today so critical at attracting economic development and jobs; and
- **creates greater prosperity** for the college educated and non-college educated alike by making a state's economy more productive and dynamic.

WHERE MICHIGAN STANDS

The decades when manufacturing workers with little formal education enjoyed high wages may have created a high standard of living in Michigan, but they also produced a dangerous side effect: an education achievement gap between Michigan and its competitors. Exhibit 3 illustrates the problem. While in leading states 40 percent of adults have an associate's or higher degree and 33 percent of adults have a baccalaureate or higher degree, the comparable figures in Michigan are 29 and 22 percent, respectively. Michigan's share of adults with a master's or higher degree is 8 percent, compared to 14 percent in the leading states.

EXHIBIT 3

Percentage of Adults Aged 25 and Older with Degrees, 2000



SOURCE: U.S. Census Bureau.

The troubling reality in Michigan is that nearly all (90 percent) of the state's 9th graders say they want to go on to college, but only 41 percent enroll directly out of high school and, ultimately, only 18 percent graduate with a bachelor's degree.

Many factors affect Michigan's poor performance in the attainment of postsecondary degrees.

Too few students successfully finish high school prepared for success:

- An unacceptable number of young adults in Michigan drop out of high school, leaving them woefully unprepared to navigate today's economy, let alone the economy of tomorrow. While the state lacks reliable data on the extent of its dropout problem, credible national studies suggest that only 65 to 73 percent of 9th graders graduate from high school in four years.

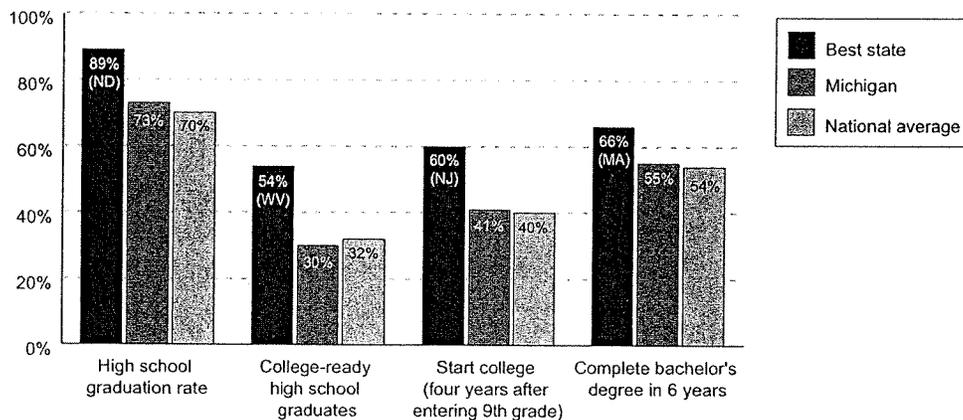
- Only 30 percent of students who graduate from high school take a course of study rigorous enough to prepare them for postsecondary education.

Too few of our young people and adults are participating in postsecondary education compared with leading states:

- Thirty-seven percent of 18–24-year-olds are enrolled in institutions of higher education, well behind leading states that enroll up to 48 percent.
- The share of Michigan adults over the age of 25 participating in postsecondary education has declined in the past decade from 5.4 percent to 4.1 percent, putting Michigan even farther behind the leading states where up to 6.5 percent of all adults aged 25 and older are enrolled in some form of postsecondary learning.

A final issue is poor completion rates for those who are seeking a bachelor’s degree (see Exhibit 4). Just over half of Michigan’s residents who seek a bachelor’s degree will complete it within six years—a rate significantly lower than that of the leading states. And a large share (25 percent) of Michigan residents over the age of 25 have some college experience but no degree or credential.

EXHIBIT 4 Education Preparation and Completion Rates, 2000

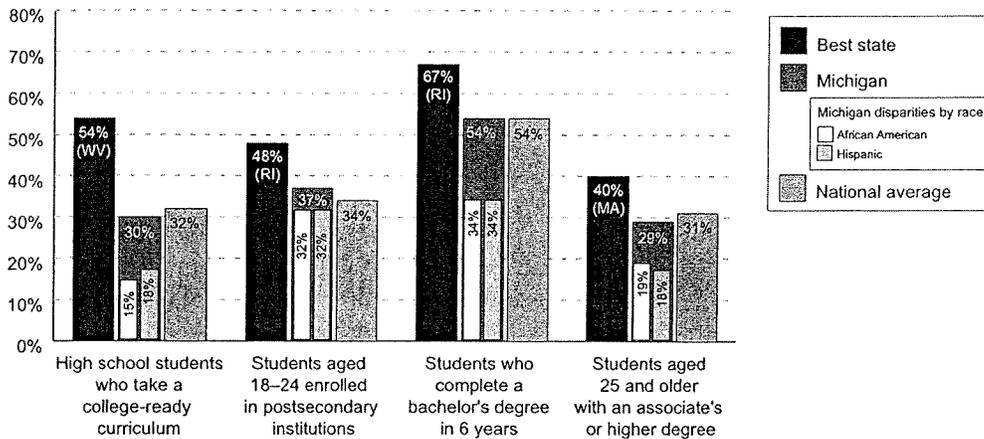


SOURCES: Greene and Forster, 2003; National Center for Public Policy in Higher Education, 2004; National Information Center for Higher Education Policy Making and Analysis, 2002.
NOTE: “College-ready” means possessing the minimal requirements necessary to apply to a four-year college or university (Greene and Forster).

All these numbers are significantly worse for Michigan's African American and Hispanic residents (Exhibit 5), and those who live in a rural or less developed area (Exhibit 6).

EXHIBIT 5

Educational Attainment, with Michigan Disparities by Race



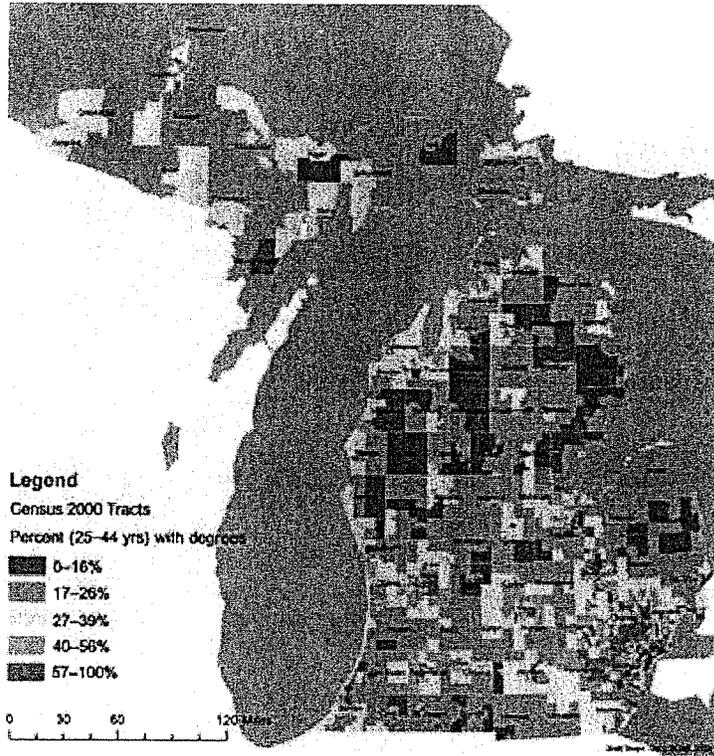
SOURCES: Greene and Forster, 2003; Education Commission of the States, 2003; National Information Center for Higher Education Policy Making and Analysis, 2002; U.S. Census Bureau, 2000.

As Exhibit 6 graphically illustrates, much of rural Michigan—and some urban pockets—are marked with low higher education achievement levels.

While too few young people in Michigan earn college degrees, the problem is exacerbated by the fact that Michigan is losing many of its best and brightest to states where dynamic cities are known as great places to live and work. Net out-migration of Michigan residents stands at 11.2 percent overall, and is acute among educated 22–29-year-olds.

- Michigan lost 11,665 residents in this age group with bachelor's degrees, while the leading state (California) gained 140,588; the average net migration for all states was a gain of 6,929.
- Michigan also does very poorly (45th in the country) in attracting young, educated people to the state.

EXHIBIT 6
Michigan Educational Attainment by Geographic Location



SOURCE: U.S. Census Bureau; University of Michigan Center for Statistical Consultation and Research.

■ WHAT MICHIGAN MUST DO

While Michigan clearly has some distance to travel to join the top rank of states with highly educated residents and growing incomes, Michigan has some very strong assets that will help it compete in this economy. Even with its relative decline, the state is still a major economic power. Michigan has remained both the decision-making center and the research and design/engineering center for automobiles and related advanced manufacturing industries. Michigan ranks very high in the share of high-tech jobs compared to the rest of the nation; the high-technology share of employment in Michigan exceeds the national norm for similar employment by 72 percent. Michigan has a huge share of global research and development spending and highly skilled R&D workers in the automobile and pharmaceutical industries and life sciences and related sectors, making Michigan first in industry-supported research and development as a share of gross state product.

Much of Michigan's comparative advantage today is linked to its powerful statewide network of public and private universities, colleges, community colleges, and training institutions. Led by three nationally ranked research universities, these 182 institutions collectively support research and development on the cutting edge of new ideas and technologies, and serve as the ladder to expanded economic opportunity for Michigan's residents. These institutions make Michigan

- fourth in the nation for total research and development expenditures as a percentage of gross state product,
- seventh in the percentage of science and engineering degrees granted each year, and
- ninth in the number of patents issued.

Michigan's public and private higher education institutions are strategically located across the state and collectively awarded over 140,000 degrees and certificates last year, giving Michigan a strong foundation from which to improve these figures.

While the commission has been candid about Michigan's problems, it is united in the belief that bold and courageous action will allow Michigan to achieve greatness in the decades ahead that will match and surpass its past achievements. Michigan's challenge is now to turn these assets into greater economic growth and opportunity for its residents. It is in that spirit that the commission offers the following recommendations.

RAISE THE BAR

Today, Michigan can make no more important statement about the critical nature of postsecondary education than to guarantee that all students can complete meaningful postsecondary education after they finish high school. Just as the high school diploma came to define expectations of minimum educational attainment in the twentieth century, postsecondary education must be the new minimum standard for the twenty-first century, and its achievement is a shared responsibility of the student, community, and state.

RECOMMENDATION

Make Higher Education Universal

The commission recommends that Michigan, over the next decade, forge a new compact with its residents: an expectation that all students will achieve a postsecondary degree or credential coupled with a guarantee from the state of financial support linked to the achievement of that goal. This commitment to universal higher education should strive to remove financial and other barriers to degree and credential completion and end, once and for all, the idea that postsecondary education is an option rather than a necessity. The compact will send a powerful message to Michigan's current residents and businesses and to those it hopes to attract: Michigan will set and reach the new standard of educational achievement in America.

*(Participation Work Group rec. 1,
Completion Work Group rec. 1,
Economic Benefits Work Group rec. 2)*

RECOMMENDATION

Set High Expectations for High School Students through Rigorous Standards and Curriculum

The commission recommends that the State Board of Education develop by the 2006–2007 school year rigorous high school standards that reflect the competencies necessary for postsecondary success and readiness for the world of work. The commission further recommends that school districts require all students to take courses that will allow them to achieve these new standards and, by extension, postsecondary success. Guidance from the State Board of Education/Michigan Department of Education should be provided in the form of a new high school curricular framework to guide the teaching for all students in grades 9–12.

The commission anticipates that the subject matter required to reach the new standards can and will be delivered through a variety of contexts, teaching styles, and course selections. But the commission categorically rejects the idea that schools should offer to students a curriculum that does not prepare them for postsecondary success. Until this curricular framework is established, the commission recommends that districts adopt a curriculum (i.e., course of study) that reflects rigorous standards for all students, such as that of the Presidents Council, State Universities of Michigan, and the requirements for becoming a Michigan Scholar. Once established, the new Michigan high school standards and curricular framework should be adopted by school districts for all students.

(Preparation Work Group rec. 1)

The commission is persuaded that the competencies required for success in college *and* in the workplace have converged. All students today must be equipped with rigorous academic preparation and high-performance job skills. The long tradition of sorting students into “college-bound” versus “non-college-bound” tracks is no longer relevant; indeed, it is harmful to a student’s future and to the state’s economy. The same core competencies must define a “high-expectations” set of learning objectives for all students, whatever their background, interests, experience, or life destination.

In recent years, Michigan has focused attention on early childhood education and has put in place rigorous K–8 curriculum standards. State legislative, education, and government leadership has realized that Michigan must extend rigorous standards to the high school level and better connect high school learning to postsecondary aspiration and success.

To support a new set of rigorous standards, a new assessment is needed to track progress in meeting standards, inform curriculum and instruction, and increase readiness as well as the aspiration to succeed in postsecondary education.

RECOMMENDATION

A New High School Assessment

The commission recommends that legislation be passed calling for a new high school assessment for use in the 2007–2008 school year to replace the high school-level MEAP. This assessment must:

- 1) Be an accepted test for college readiness for the purposes of admission
- 2) Increase students' aspirations to attend institutions of postsecondary education
- 3) Measure individual student performance against the new Michigan standards
- 4) Be useful for aligning curriculum, course sequences, and grade-level content against the standards
- 5) Be valid as the high school assessment required under federal law (No Child Left Behind)

While it should produce a score on a recognized college entrance exam, this assessment should also measure students' competence and adherence to the full array of Michigan's new high school standards. The commission further recommends that until a new assessment is deployed, Michigan school districts adopt a high expectation for students aspiring to enroll in postsecondary education—corresponding to a composite score of 22 on the ACT program or an equivalent college entrance exam (the level of 22 being strongly correlated with successful completion of a postsecondary degree).

(Preparation Work Group rec. 1)

RECOMMENDATION

Create a Culture of Entrepreneurship

- The State Board of Education must integrate entrepreneurial skills and education into Michigan's K-12 standards.
- Michigan's two- and four-year higher education institutions must create a Center of Excellence for Entrepreneurship and Innovation as a network to cultivate entrepreneurial education and activities among Michigan community colleges, universities, and business and community partners.
- Michigan's two- and four-year higher education institutions must develop and offer entrepreneurial degree or certificate programs and enhance existing degree programs with entrepreneurship skills and training.
- The Michigan Department of Labor and Economic Growth and Michigan's K-12 and higher education associations must add to current, initial efforts to create 75-100 partnerships among Michigan's community colleges, universities, and K-12 systems that offer an entrepreneurial curriculum leading to certificates and degrees.

(Economic Benefits Work Group recs. 2 and 4)

Individuals with the skills that have traditionally defined entrepreneurship—risk-taking, creativity, responsibility, and adaptability—are now making a difference throughout our society, whether in their own ventures or working for another employer. More Michigan residents must use these skills to create new businesses and benefit existing firms. Michigan must rekindle a culture of entrepreneurship, starting with the education of all the state's young people and extending to how Michigan thinks about economic development and job-training activities.

CLEAR THE PATH

As Michigan creates a high-expectations environment for all high school students, it also must recognize that far too many Michigan students attend high schools that do not help them find success in life and work. This problem is most acute in low-income communities, exacerbating the ethnic and regional disparities that exist in educational attainment in Michigan. To make real the belief that all students can achieve rigorous academic standards linked to postsecondary success, Michigan must give all students the opportunity to attend high schools capable of helping them reach that goal.

RECOMMENDATION

Implement New Strategies for High School Success

Before the decade is over, Michigan's government, business, education, and civic leadership must put in place a network of newly fashioned secondary schools and learning environments. This effort must be on a scale sufficient to effectively serve every school community where students are dropping out in large numbers or are not achieving Michigan's high expectations for learning. Refashioned high school environments must be formed around research-based models that engage and motivate students. Proven models include small high schools, blended high school and postsecondary institutions, and career and other themed and contextualized learning environments.

(Preparation Work Group rec. 3)

No effort to create a high-expectations learning environment in Michigan's schools can fail to recognize the critical role that teachers and administrators play in achieving these goals. Policymakers can create new standards on paper, but it is only educators who make them real in the lives of Michigan children. We must give educators the tools and support they will need to achieve the commission's ambitious goals.

RECOMMENDATION

Equip Educators and Administrators to Support the High-Expectations High School Path

Michigan's school districts must make the creation of the high-expectations learning environment the central focus of professional development activities at the secondary school level. Intermediate school districts (ISDs) and two- and four-year higher education institutions—in partnership with education stakeholders from the business and foundation community—must develop new strategies and new resources for professional development that will allow teachers to help all students meet the new rigorous standards.

(Preparation Work Group rec. 2)

RECOMMENDATION

Create Community Compacts for Educational Attainment

Michigan local government leaders (from mayors to county commissioners) must join with business, labor, and education leaders to organize "community compacts" that increase local postsecondary participation rates by 5 percent each year for the next ten years. Each community should establish baselines for postsecondary participation and set targets for annual improvement, focusing efforts on students who are unlikely to attend college. As part of these local compacts, public and private universities, colleges, community colleges, and postsecondary training institutions should create partnerships with local school districts and high schools with low rates of students going on to college.

(Participation Work Group rec. 3)

Michigan's communities are currently engaged in extensive and intensive economic development efforts. Whether at the municipal or county level, there is almost universal recognition that communities must take their economic destinies in their own hands. Business decision makers routinely cite the availability of a skilled workforce as the chief determinant of investment decisions, and communities whose residents have higher levels of education also have higher levels of economic growth. Yet, few Michigan communities have focused on this critical link between increased education attainment and economic development goals. To thrive economically, communities across Michigan must see the issue of increasing educational attainment as a responsibility that all stakeholders must share.

RECOMMENDATION

Improve Institutional Completion Measures

The leadership bodies of Michigan's two- and four-year higher education institutions must ensure that each public and private higher education institution sets its own success goals and benchmarks for student progress and degree completion that emphasize timely progression to the degree. Such goals and measures should be based on each school's unique mission and population, but with attention to the success among important subgroups within the student body (e.g., minorities and women). Goals, measures, and results are to be reported annually, beginning with the 2005–2006 academic year.

(Completion Work Group rec. 2)

While more Michigan residents need to participate in higher education, Michigan will not achieve its economic development goals unless it helps a far greater share of its higher education students complete degrees in a timely manner. Michigan's state universities have themselves recognized the critical nature of this goal and have challenged themselves to increase completion rates. There are a number of important factors within each learning institution's control that can improve Michigan's degree completion rates, including guidance counseling, outreach, and support services. All these services are particularly important to historically underrepresented populations. As part of a compact of shared accountability, each public and private two- and four-year higher education institution should shine a light on its own work to increase enrolled students' completion rates and should hold itself accountable for improving its completion rates.

While most Michigan residents live within commuting distance of two- and four-year higher education institutions, proximity remains a serious barrier to educational attainment. This problem is most acute in Michigan's non-metropolitan counties, which have long had low higher education participation rates. Michigan's economic success requires that in every region of the state there is easy access to the full range of degree-granting programs, including baccalaureate degrees in a variety of high-demand fields. Michigan's higher education institutions, both public and private, are moving to offer convenient access to a full range of higher education programming through extension programs, university centers, partnerships between community colleges and four-year institutions, and a host of virtual and remote learning opportunities. The expansion of these efforts can ensure that all Michigan residents have the geographic access and opportunity to gain advanced degrees that are relevant for economic opportunity. We also recognize that many of Michigan's two-year institutions are prepared to offer applied baccalaureate degrees in selected areas that correspond with regional economic needs.

RECOMMENDATION

Expand Access to Baccalaureate Institutions and Degrees

- Michigan's higher education institutions must examine the availability and geographic coverage of higher education services and put in place the necessary partnerships to ensure that residents in all parts of the state have access to two- and four-year baccalaureate programs.
- Universities that currently grant applied baccalaureate degrees must forge new partnerships with community colleges to expand the availability of this credential. In addition, the Michigan legislature must pass enabling legislation during the 2005–2006 legislative session that defines the criteria and process by which Michigan community colleges may offer applied baccalaureate degrees in response to unmet economic, employer, or community needs in their service regions where partnership arrangements have failed to meet these needs.

(Completion Work Group rec. 4)

RECOMMENDATION

Expand Opportunities for “Early College” Achievement

The legislature must replace the current dual enrollment funding system during the 2005–2006 legislative session with a system that provides incentives for collaboration between secondary and postsecondary institutions.

Michigan’s school districts must expand opportunities for dual enrollment and for taking college credit courses so that 50 percent of the state’s high school students are earning college credit by 2015. All school districts, even those with the most academically challenged schools, should achieve a minimum enrollment of 10 percent.

(Participation Work Group rec. 2)

As Michigan’s high schools prepare all students for postsecondary education and training, an increasing number of our secondary school students will have the ability to complete college-level work during their high school years. Michigan must seize this opportunity for learning by expanding opportunities for high school students to earn college credit. This will allow students to achieve their education goals more quickly, reduce the cost of postsecondary degrees, and give many students a better understanding of their own potential to succeed at college-level work. Rather than hold its students back, Michigan must be willing to accelerate the pace of learning to realize education gains that will translate into a stronger economy and better jobs.

For a growing number of residents, the path to higher education and postsecondary credentials is not a straight line. Many start at a two-year school and either transfer to a four-year school or resume postsecondary education after some time away. All Michigan residents should be able to obtain postsecondary credentials of value, regardless of whether they start and finish at a single institution, move between institutions, or re-enroll after time away for work or family obligations.

A major roadblock to degree completion in Michigan today is the difficulty students have transferring credits as they navigate between institutions. Many lose credit that they have worked hard to obtain, while others are forced to repeat courses to earn degrees in their chosen field. The state and higher education institutions must make this journey as efficient and user-friendly as possible if more people are to earn postsecondary credentials in a reasonable length of time and at a reasonable cost.

Today, many students transfer from Michigan's community colleges to four-year institutions before earning an associate's degree, and some of these students have completed more than half of the requirements for an associate's degree or other credential from the community college before transferring to a four-year baccalaureate program. When such students subsequently complete at a four-year degree-granting institution the necessary coursework for the associate's degree from a community college, they are entitled to a valuable credential. This credential—an associate's degree—is one that the student could use in the labor market while pursuing a four-year degree. In addition, the absence of this degree shortchanges employers who cannot recognize what may be a valuable potential employee because the person does not have a recognized credential.

RECOMMENDATION

Improve Transfer Process and Award Dual Degrees

- Michigan's two- and four-year higher education institutions must create by 2006 a statewide "Transfer Wizard": a website containing course articulation and transfer information for all Michigan institutions, clearly identifying what courses are accepted, and where.
- Michigan higher education institutions must establish by 2006 the Michigan Milestone Compact. This compact would grant to a student transferring from a community college to a four-year degree-granting institution an associate's degree or other credential/degree by the community college partner following completion of necessary course work conforming to agreed-upon learning outcomes.

(Completion Work Group rec. 3)

RECOMMENDATION

Increase the Number of Postbaccalaureate Professionals

- Michigan businesses and foundations must create a significant endowment to fund scholarships for Michigan students to pursue postbaccalaureate degrees at our higher education institutions, with priority for key disciplines (e.g., science, engineering).
- Michigan's higher education and business community must partner to greatly expand internship opportunities for undergraduate and graduate students and faculty. Such efforts should use public or privately funded stipends to create incentives for students working in emerging fields.
- Michigan's universities must expand dual enrollment programs to allow undergraduate students to move efficiently and seamlessly to postbaccalaureate degree achievement.

(Economic Benefits Work Group rec. 6)

While Michigan wants far greater numbers of its residents to earn associate's and bachelor's degrees, our goals for educational attainment must reach higher. Across the nation, talent centers that bring together large numbers of advanced degree holders are enjoying the highest rates of economic growth. Whether they are in university labs and classrooms or corporate research and development centers, these are the people who are advancing the frontiers of knowledge and fueling explosive economic growth. To ensure Michigan's economic future, we need ever-increasing numbers of Michigan residents to reach the highest pinnacles of education. At the same time, Michigan must attract the best and the brightest from around the country and the world to our campuses and workplaces.

RECOMMENDATION

Target Adults Seeking to Complete Postsecondary Credentials

Michigan's postsecondary education institutions must lead community-based outreach campaigns that over the next ten years will recruit half of the 1.5 million adults with limited postsecondary education to return and complete their degree. These efforts should include an "amnesty" on stale or expired credits, recognition of work-based learning experiences, and better utilization of the tremendous education benefit that Michigan's businesses and labor unions have created for employees.

*(Participation Work Group rec. 4,
Completion Work Group rec. 6)*

While Michigan has a slowly growing traditional school-age population, a relatively large proportion of adults in Michigan have some postsecondary education but have not attained a postsecondary degree or other credential of value. These adult residents can be tremendous assets to economic growth if Michigan can re-engage them in postsecondary education and see them earn credentials.

Helping these adults complete their credential means reaching out to adult learners and workers, communicating the importance of postsecondary education, and making it easier for working adults to access the financial aid, support services, and diverse learning delivery techniques that are available.

Whether it is the increased number of young people who leave high school ready to succeed in higher education or the tens of thousands of older workers who return to the college campus, the recommendations of the commission have implications for the capacity and organization of Michigan's higher education system. While the commission believes Michigan's existing higher education capacity can be used in new and more effective ways to begin achieving its ambitious goals, it also believes that the longer-term, capacity-related implications of these recommendations need to be well understood.

RECOMMENDATION *Conduct an Analysis of Higher Education Capacity Needs*

During the next legislative session, the higher education community must conduct an analysis of the emerging issues and special problems related to higher education human resource and physical infrastructure capacity.

(Participation Work Group rec. 5)

WIN THE RACE

To win in today's economy, Michigan needs to better leverage one of its strongest assets—its powerful network of higher education institutions—to nurture the industries of the future and to translate these new industries into jobs for Michigan residents. This does not mean abandoning manufacturing, but rather building on traditional strengths in automobile design and manufacturing and other key industries. Michigan can apply its research and development talent to assist its existing industries to adapt and compete through new innovations, products, and technologies.

RECOMMENDATION *Create an Emerging Economy Initiative*

- The state and federal governments, universities, and private industry must boldly invest in Michigan's Technology Tri-Corridor to support the research, development, and commercialization of emerging technologies. This investment should promote Center of Excellence partnerships in the Tri-Corridor; organize and fund public/private partnerships among higher education institutions, private partners, and venture capital funds in emerging economic sectors; and focus peer-reviewed and applied research on projects with commercial potential.
- Michigan must create a Twenty-first Century Research Fund that will give state, institutional, and private sector researchers improved access to matching funds for major research activities that align with the commission's commercialization strategies.

(Economic Benefits Work Group rec. 1)

RECOMMENDATION

Commercialize More Research

- Michigan's higher education institutions must make commercialization of research an institutional priority and align internal practices and performance measures to support it where appropriate.
- Michigan's colleges and universities should establish their own venture capital funds within their schools, colleges, institutes, and similar divisions to create locally managed pre-seed funds that leverage the existing Smart Zones and business accelerators.
- Michigan's universities and community colleges must form networks to accelerate applied research and business formation that leverage existing Smart Zones and business accelerators.

(Economic Benefits Work Group rec. 3)

The state must ensure that the powerful research being conducted at Michigan's research-intensive universities—and in conjunction with businesses—is translated more effectively into new companies, jobs, and an increasingly entrepreneurial culture.

In every community there are current job and skill needs among existing employers that need to be matched with a highly trained workforce. For example, a recent study of Michigan's health care industry showed that up to 100,000 new, technically trained health care workers are needed to serve this sector. Michigan residents need to have tools and information available to help them better understand the jobs that exist today and which education programs prepare them well for these jobs. Michigan's public and private postsecondary institutions also need to consider their contributions to preparing Michigan residents in the disciplines and with the skills in demand in their region.

RECOMMENDATION

Align Postsecondary Education with Economic Needs and Opportunities

- The Michigan Department of Labor and Economic Growth must develop and make available by 2006 a more powerful and user-friendly system for linking job and occupational data with job/career information and guidance at the community level.
- The Michigan Department of Labor and Economic Growth must organize, in conjunction with the postsecondary education community, a process for communicating and reporting annually the match between current and emerging job and occupation needs and the efforts and outcomes of postsecondary education institutions to meet those needs.

(Economic Benefits Work Group rec. 6)

In an era in which quality of place is a critical factor in economic development, higher education institutions are a primary driver of community development and cultivating quality of place. Colleges and universities contribute to the physical and aesthetic appeal of a community; the diversity of residents; and the arts, culture, and entertainment milieu. Higher education institutions have both tremendous opportunity and civic responsibility to participate strongly in community development and revitalization.

RECOMMENDATION

Expand the Role of Higher Education Institutions in Community Development

All higher education institutions must aggressively partner with their communities and "cool city" commissions to develop and implement strategies and programs that leverage their unique role. Prime among these are participation in local planning and development policy shaping; partnering in mixed-use developments; enhancing art, culture, and entertainment offerings; and using the physical and land assets of these institutions creatively as locales for private sector development, incubation of firms, and housing.

(Economic Benefits Work Group rec. 5)

As Michigan embarks on this journey to postsecondary educational attainment and greater economic growth, its taxpayers and residents need to know what is working and what is not, how far the state has come, and how far the state has to go in its quest to become the nation's best-educated population. As Michigan residents move through an education process that begins long before kindergarten and continues through graduate degrees and employment, the state must be able to chart individuals' progress while respecting their right to privacy.

Currently, Michigan has disconnected data systems tracking K-12 students, higher education students, and adult job training and re-employment programs. The state cannot answer simple yet critical questions such as: What specific degrees and credentials do Michigan residents have? Where do high school students go and what do they do after graduation? What do graduates of the state's various colleges and universities do next? Where are they working? Answers to these and more detailed questions about the outcomes for particular schools and programs are essential to guide smart policy and investments in an education system that strives for lifelong learning.

RECOMMENDATION

Develop a Lifelong Education Tracking System

The Michigan Department of Information Technology must develop by 2007 an interagency data-sharing arrangement, in coordination with Michigan's K-12 and higher education institutions, that creates a functioning lifelong education tracking system with information from multiple data sources, including CEPI, MDLEG, and higher education.

(Completion Work Group rec. 5)

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CONCLUSION

The early experimentation of innovators such as Henry Ford, Ransom E. Olds, and the Dodge brothers catalyzed a hundred years of industrial growth in Michigan in the early twentieth century. **Today, in the first decade of a new century, Michigan must transform itself once again to be a leader in an era where knowledge is the key ingredient in economic success.**

If Michigan's residents, education systems, and governments can work together to increase the share of the state's population with credentials of value, Michigan will be a vanguard state for economic vitality and quality of life. The commission believes the recommendations offered in this report are a roadmap to fundamental change in Michigan. Some recommendations will be implemented soon, while others will require years of sustained effort to achieve. Some are as modest in scope as others are sweeping. Some will guide the strategic investment of new resources while others will deploy existing resources more wisely.

Taken as a whole, these recommendations represent a dramatic break from the policies of the past, policies that cannot guide Michigan to the future we seek. When these recommendations are implemented, Michigan will have a K–12 education system that prepares all students for success in college and work, a postsecondary education system that moves unprecedented numbers of residents to new levels of educational attainment, and the research and development infrastructure a highly educated workforce needs to reach new levels of economic growth and opportunity.

The commission's sense of urgency is undiminished by Michigan's current fiscal crisis. While recognizing that resource limitations will affect the speed with which these recommendations will be implemented, the commission believes it is critical to set this course today and move steadily forward to the future that we want for this state, increasing the pace as more resources become available. Furthermore, the commission believes that Michigan's long-term economic and fiscal health can only be secured if it makes the development of a highly educated population an overarching priority.

There is one word the commission has used in each of the recommendations contained in this report—the word “must.” This word reflects the belief that the changes the commission has called for are essential if Michigan is to succeed and thrive in a changing economy. The sense of imperative that has shaped this commission's work does not come from the mandate of law. Instead, it comes from the sheer magnitude of the challenge Michigan faces and a mutual belief that all segments of our society will mobilize to meet it.

In that spirit, the commission is pleased to present this report to Governor Granholm and the people of Michigan.

For Immediate Release
Nov. 16, 2004

For More Information Contact
Mike Boulus 517-482-1563

Cost of college far less than “sticker price” for most students, study shows

The real cost of college tuition for the average Michigan public university student has decreased from the 1997-98 school year through the 2002-03 school year, as increasing scholarships, grants and tuition tax credits have more than outpaced tuition increases after inflation, according to a new study issued today by the Presidents Council, State Universities of Michigan.

The average student today pays only 45 percent of the “sticker price” of tuition and mandatory fees at a Michigan public university. That sticker price was \$5,570 for the 2002-03 school year, with the net tuition price only \$2,495. The net tuition cost, adjusted for inflation, in the 1997-98 school year was \$2,853, meaning the real average cost of tuition in 2003 was \$358 less than in 1998. The figures do not include any loans obtained by students.

“Michigan public universities are doing a remarkable job of holding down the real cost of education for most students,” said Judith Bailey, president of Western Michigan University and vice chair of the Presidents Council. “A substantial portion of recent tuition increases have gone back to students through financial aid, keeping college affordable. We hope public policymakers recognize this trend.”

“It is vital for families preparing to send students to college to apply for the substantial amounts of financial aid that are available from federal, state and university sources,” added Bailey. “For that portion of their costs not covered by the wide array of grant opportunities, parents can prepare early by participating in programs such as the Michigan Education Trust and the Michigan Education Savings Program.”

The study shows that the average “net” price of tuition was 45 percent of the sticker price during the 2002-03 school year. In 1997-98, the net price was 60 percent of the sticker price.

State average tuition and fees was \$5,570 in the 2002-03 school year. The average student received \$1,013 in need-based aid, \$1,494 in merit-based aid, \$96 in work-study aid and the student’s family received a federal tax credit of \$471. Looking at sources of the aid, the study shows \$935 in federal assistance, \$582 from the state and \$1,165 from Michigan universities.

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“This study shows financial aid from all sources is a significant factor in reducing the cost and increasing the affordability of a college education in Michigan,” said Mike Boulus, executive director of the Presidents Council. “Institutional aid is a significant but overlooked component of the total cost of higher education. Political involvement, in the form of tuition caps, makes it harder for universities to provide university resources to students, which may result in higher net tuition costs for many students.”

The Presidents Council report on the real cost of attending college in Michigan was patterned after a study done for *USA Today*. Dr. Hank Prince a former Michigan House Fiscal Agency associate director and recognized expert on higher education finance in Michigan was contracted to analyze the extensive data available from Michigan colleges to develop the figures. Dr. Prince’s experience allowed him to dig deep into the information and make informed calculations that have resulted in the most comprehensive report on the issue in Michigan.

For more information on the study, please visit www.pcsum.org and follow the links to the report.

The Presidents Council, State Universities of Michigan, based in Lansing, is a nonprofit higher education association serving Michigan's 15 state universities. The primary mission of the Presidents Council is to advocate higher education as a public good and to promote its collective value in serving the public interest and the State of Michigan.

For Immediate Release
March 10, 2004

For More Information Contact
Michael Boulus 517-482-5163

Universities are key to Michigan's economic recovery, poll says

Michigan voters say public universities are critical to the state's economy, providing job training, economic development, and research that will determine the state's future success, according to a new poll conducted for the Presidents Council, State Universities of Michigan.

The survey also showed that that 71 percent of voters support additional spending for universities to help hold down tuition. Voters rank state support for the Michigan 15 public universities as a high priority – not as high as spending for K-12 schools but tied with spending for economic development, public safety and human services and welfare, and higher than increased spending for transportation and corrections.

“Michigan's voters clearly recognize that the Michigan 15 public universities are key to the state's future,” said Michael Boulus, executive director of the Presidents Council.

The random telephone survey of 800 registered voters across the state was conducted by Marketing Resource Group, Inc. It has a statistical margin of error of 3.5 percent within a 95 percent degree of confidence.

The average public university's charge for tuition and fees, currently about \$6,000 a year, is a fair price to pay for a college education, according to 57 percent of voters. And voters are not interested in holding down costs by limiting enrollment or cutting quality by reducing professors' salaries and increasing class size, with 8 in 10 voters rejecting those options.

Just one in four voters supported the idea of a constitutional amendment holding tuition increases to the rate of inflation if the amendment resulted in fewer students being enrolled or a decline in quality at the universities.

The survey also shows that 58 percent of voters said that they would be less likely to support a candidate for state office if they learned the candidate voted to cut state funding to Michigan universities.

“Michigan voters have a good understanding of the value of high quality public universities to the state's economic future, and are willing to pay for a top notch higher education with tuition dollars as well as increased state resources,” said Boulus. “This survey provides us

with validation of the importance of higher education to Michigan – and to the people who live here and pay for the Michigan 15 public universities.”

The Presidents Council, State Universities of Michigan provides the chief executive officers of the state's 15 public universities an opportunity deliberate on a wide range of topics having potential implications for higher education. You can learn more about the Presidents Council at www.pcsum.org.

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Key questions and results from the survey:

Now I will read to you a list of major programs that are funded by the state. After I read this list please tell me which three of these programs you think should be the state's highest priorities for funding. (PROBE FOR THREE ANSWERS)

76% K through 12 Public Schools
33% Economic Development
33% Public Safety
33% Human Services and Welfare
31% Public Universities and Colleges
24% Agriculture and Natural Resources
22% Transportation
14% Local Revenue Sharing for cities and counties
11% Corrections & Prisons
9% General Government Operations

Generally speaking, do you support or oppose increasing state funding to Michigan's 15 public universities to keep tuition down

Support..... 71%
OPPOSE.....26%

According to the State of Michigan the average cost for resident tuition and required fees at a Michigan public university is about \$6,000 per year, per student. Do you think this cost is too high a price to pay or a fair price to pay for tuition at a public university in Michigan?

FAIR PRICE.....57%
TOO HIGH38%

Michigan's public universities and community colleges are critical to preparing students for the jobs of the 21st Century

TOTAL AGREE.....90%
TOTAL DISAGREE.....7%

Michigan needs strong state universities to be successful in growing and attracting good paying jobs.

TOTAL AGREE.....88%
TOTAL DISAGREE10%

Michigan has some of the best public universities in the nation, and we should do all we can to maintain their level of excellence.

TOTAL AGREE.....86%
TOTAL DISAGREE.....11%

Considering the costs and the quality of education that students receive, Michigan public universities are a good value.

TOTAL AGREE.....84%
TOTAL DISAGREE.....9%

The research that goes on at our public universities helps create the jobs of the future, and is an important reason to continue state funding of universities.

TOTAL AGREE.....81%
TOTAL DISAGREE15%

Michigan should continue to provide adequate taxpayer funding to ensure that public higher education remains a public service, and not a private good.

TOTAL AGREE.....76%
TOTAL DISAGREE..... 20%

Would you be more or less likely to vote for a candidate for state office if you learned that he or she voted to cut state funding to Michigan's public universities

MORE LIKELY 23%
LESS LIKELY58%

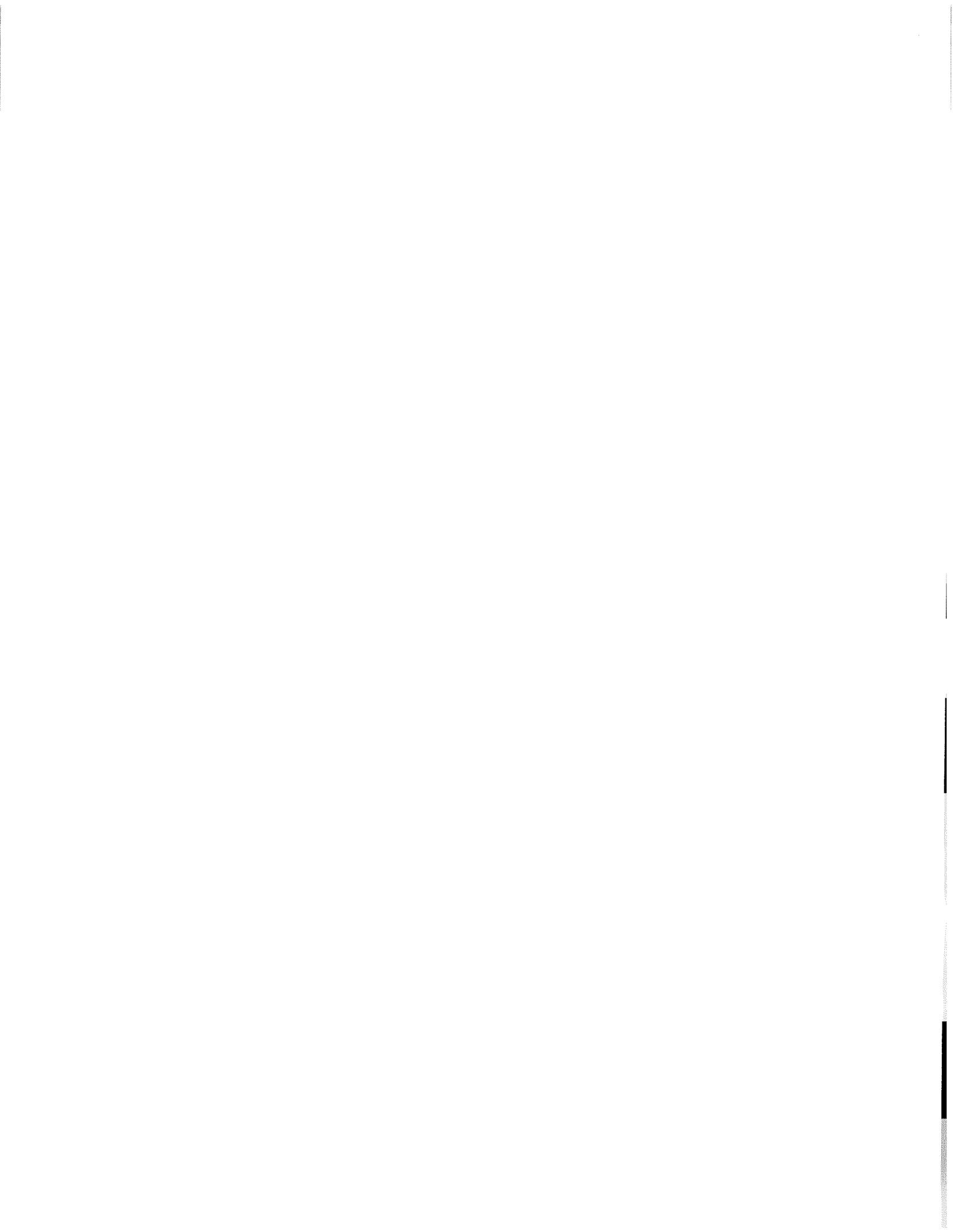
To hold costs down at Michigan public universities, some people have suggested various cost cutting measures. I will read to you some of these ideas. After each one, please tell me if you agree or disagree with that idea.

Michigan public universities should simply admit fewer students, even if that means fewer students can get a college education.

TOTAL AGREE.....17%
TOTAL DISAGREE..... 80%

Michigan doesn't need as many high quality universities, and should just let quality slip by cutting professors' salaries and increasing class sizes.

TOTAL AGREE.....17%
TOTAL DISAGREE..... 79%



The Art and Science of Running Universities like Businesses

By Eric Gilbertson
President, Saginaw Valley State University

Putting it in Perspective

Good stewardship of our state's universities requires promoting efficiency while simultaneously upholding the academic values that have made these institutions great.

Main Text Word Count: 864

A recent survey found that some 93% of the American public agreed with the proposition that "colleges and universities are among the most valuable resources to the U.S." In the same survey, 90% of respondents expressed confidence in America's four-year public state-supported colleges and universities – a higher level of confidence than expressed for churches and religious organizations, health care providers, national and local media and government at all levels.

That's the good news. But beyond this general high level of confidence, the public seems, at times, deeply ambivalent about universities.

On the one hand, there is a cherished and somewhat sentimental view of universities as – well – as academic places where caring teachers mold young minds through unhurried and probing conversations about poems and politics, the human condition and the forces of nature. A university's classes are supposed to be small, tutored by sage and patient scholars; juvenile errors and excesses are gently but firmly corrected; and, of course, football games are always won. And in this romanticized view, lush and leafy campuses are supposed to be sanctuaries for eccentric scholars to think deep thoughts and develop whimsical theories and indulge in the time-consuming trials and errors of research.

On the other hand, when talk turns to matters of state funding or, even worse, tuition, sweet sentimentalities are replaced by a fulminating for universities to become ruthlessly efficient – no time or treasure squandered on small classes or idle contemplation or tending to pretty flowers on campus. Things must be run as "lean" and "agile" as business would have us believe it has become; fat must be excised; indolence must be punished mercilessly; unnecessary processes must be re-engineered and unnecessary people banished. And so on and so forth.

The truth is, of course, that public universities are hardly strangers to frugality and are regularly implementing efficiencies in countless ways. A few examples might be helpful:

- Universities are constantly seeking creative ways to manage the ever-increasing costs of providing health care to employees. The University of Michigan, for example, which has been absorbing annual employee health care costs increases of about 14%, has restructured its employee health insurance plan and expects to save some \$20 million per year by 2005.
- In the past three years, Saginaw Valley State University has added nearly 300,000 square feet of additional campus space in response to growing student enrollment, but has not added a single employee to service this space. These savings have allowed the University to maintain small class sizes and to offer the course sections that students demand and deserve.

... can a university be both academic and efficient, both humane and businesslike?

The answer is clearly "yes." But...

Continued

- Since engaging a private energy services firm to implement energy conservation measures across its campus, Oakland University now saves nearly \$500,000 annually in utility costs.
- A new consortium involving state universities and the Department of Management and Budget (DMB) allows participants jointly to pursue contracts for goods and services. Just one example of savings under this new alliance is a contract between the State of Michigan, three of our universities, and Consumers Energy, which should result in \$2.25 million in combined energy savings over the next two years.

So . . . can a university be both academic and efficient, both humane and businesslike? The answer is clearly “yes.” But this is a tricky business, for the very things that produce a university’s greatest value – intellectual freedom, personal attention to students, time for contemplation and the cultivation of imagination, the mistakes and missteps that necessarily precede achievements in research and learning – these things do not always conform perfectly to the imperatives of tidy management and brutal cost-cutting.

What universities produce are not goods or even services – not really. Universities offer a different and more complicated value proposition. Their “core business” is the development of human potential, their “products” are ideas and discoveries and the professionals who teach our children and treat our sicknesses and manage our businesses and create wealth and create art. Human beings are, alas, sometimes untidy, vexatious, troublesome; and humane values sometimes require more patience than might best serve some bottom line.

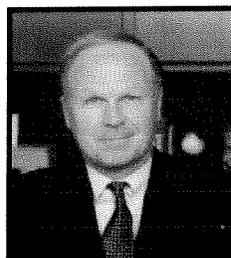
This is not a justification of waste or an excuse for wastrels. Universities buy things – computers and lawn mowers, microscopes and toilet paper, books and even footballs – and they should be expected to spend money sensibly. And universities should seek savings on energy expenses and health care benefits and needless paperwork.

But in the rush to economize, even during hard times, we ought not lose sight of the primary value we seek and expect from our universities. The reason universities have earned the public’s confidence, the reason hundreds and hundreds of thousands of alumni of Michigan’s public universities are proud of their alma maters, the reason families sacrifice to send their sons and daughters to our campuses is not because universities function as well-oiled machines, not because they trim every expense and fill every idle minute in the academic day and year. It is because these unique and special and fragile institutions are there at the very instant when people, at their most promising and vulnerable moments, come seeking their futures, come ready to become something more, something better.

And as they become more, and better, so do we all.

~ ~ ~

Eric Gilbertson is president of Saginaw Valley State University, one of the state’s 15 public universities. He is a member of the board of directors of the Presidents Council, State Universities of Michigan.



What universities produce are not goods or even services – not really. Universities offer a different and more complicated value proposition. Their “core business” is the development of human potential, their “products” are ideas and discoveries and the professionals who teach our children and treat our sicknesses and manage our businesses and create wealth and create art.

Attention Editors

Presidents’ Perspectives commentaries are provided for reprint in newspaper and other publications. Electronic text is available at www.pcsum.org/news.html

Contacts

Michael A. Boulus
Executive Director

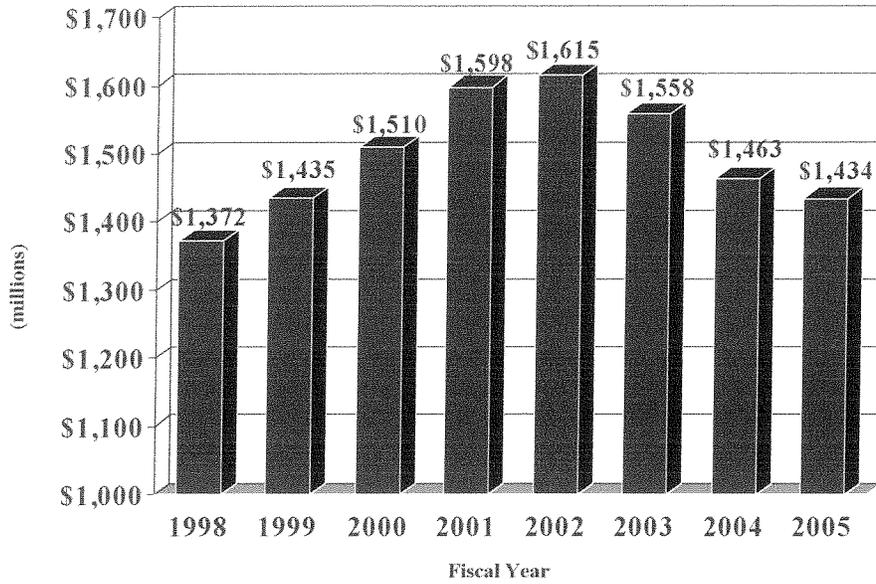
Daniel J. Hurley
Director of University Relations and Administrative Services

101 S. Washington Square, Suite 600
Lansing, MI 48933

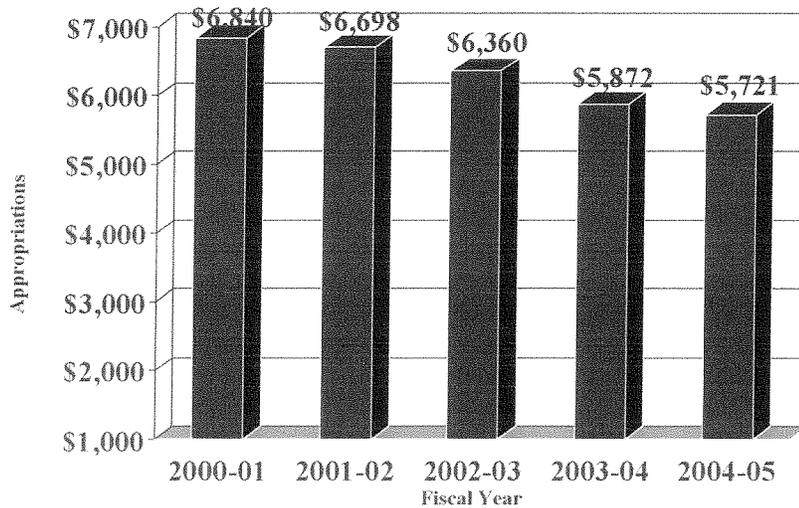
Phone: (517) 482-1563



State Appropriations to Michigan's Public Universities



State Appropriations Per Student at Michigan's Public Universities (FYES)

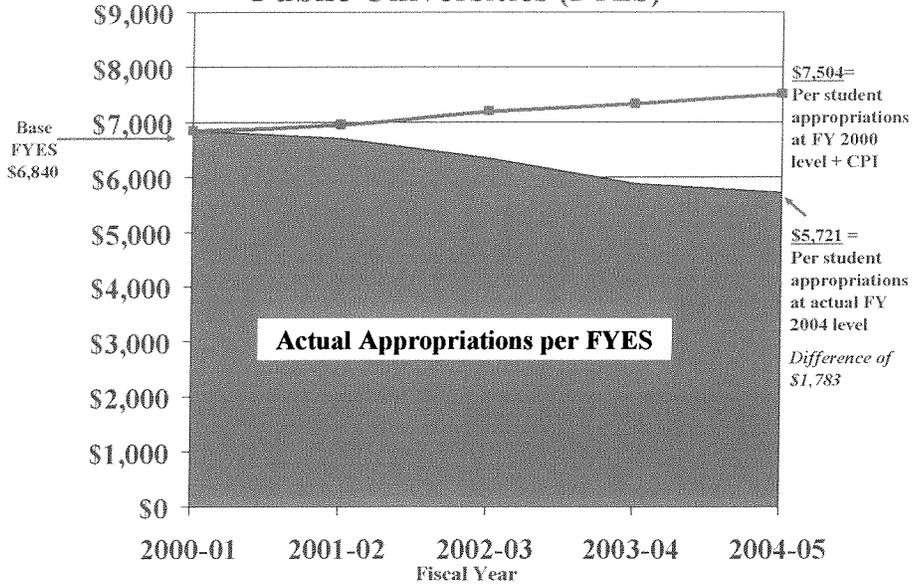


Reduced appropriations, combined with increasing enrollments, has required universities to stretch their dollars further

Source: HFA & Presidents Council

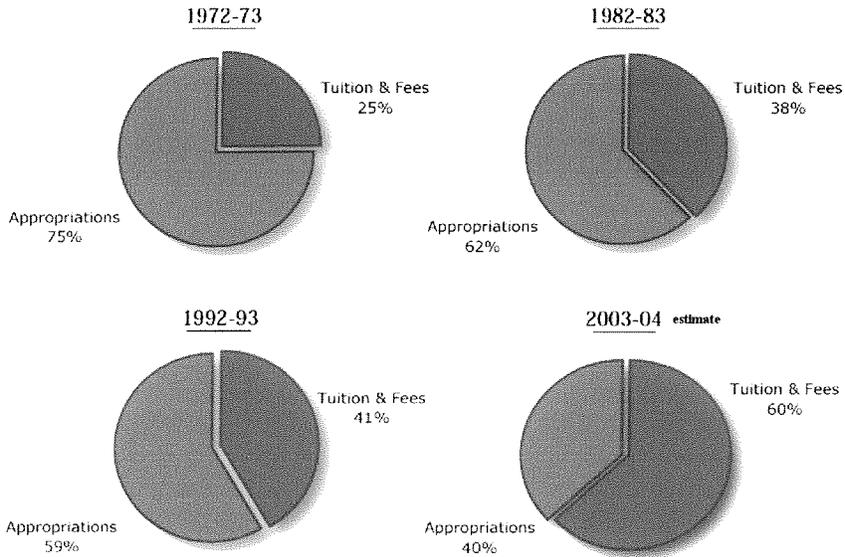


State Appropriations Per Student at Michigan's Public Universities (FYES)



Enrollment increases have resulted in per-student appropriations falling behind inflation

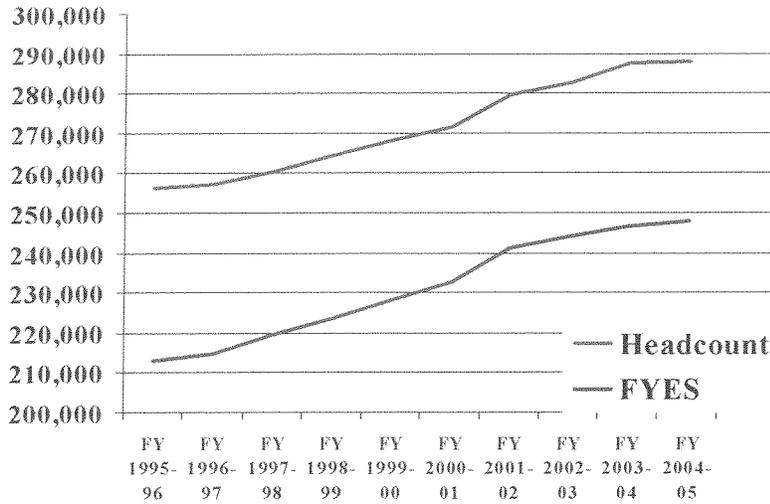
Sources of General Fund Operating Revenues Michigan Public Universities



Source: Presidents Council, State Universities of Michigan



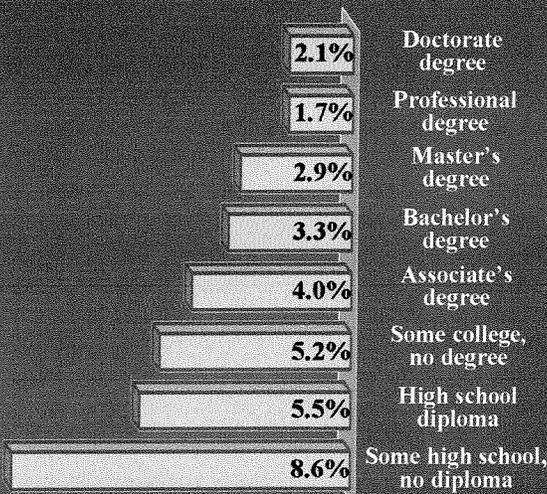
Enrollment at Michigan's Public Universities: *9 straight years of increases*



The Education Premium

More Education = More Earnings = Lower Unemployment

Unemployment Rate in 2003



Median Earnings in 2003



Includes full-time year-round workers age 25 & older
Source: U.S. Census Bureau



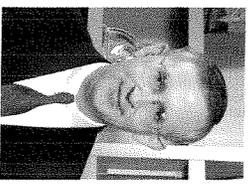
The Presidents and Chancellors of Michigan's Public Universities



Dr. Michael Rao
President (2000)
Central Michigan University
(989) 774-3131
rao1m@cmich.edu



Dr. Craig Willis
Interim President (2004)
Eastern Michigan University
(734) 487-2211
president@emich.edu



Dr. David L. Eisler
President (2003)
Ferris State University
(231) 591-2500
eislerd@ferris.edu



Mark A. Murray
President (2001)
Grand Valley State
University
(616) 331-2182
murraym@gvsu.edu



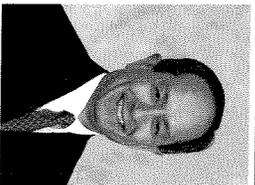
Dr. Betty J. Youngblood
President (2002)
Lake Superior State
University
(906) 635-2202
byoungblood@lssu.edu



Dr. Lou Anna Simon
President (2005)
Michigan State University
(517) 355-6560
laksimon@msu.edu



Dr. Glen Mroz
President (2004)
Michigan Technological
University
(906) 487-2200
gdmroz@mtu.edu



Dr. Les Wong
President (2004)
Northern Michigan University
(906) 227-2242
lwong@nmu.edu



Dr. Gary Russi
President (1996)
Oakland University
(248) 370-3500
russi@oakland.edu



Dr. Eric R. Gilbertson
President (1989)
Saginaw Valley State
University
(989) 790-4041
erg@svsu.edu



Dr. Mary Sue Coleman
President (2002)
The University of Michigan
– Ann Arbor
(734) 764-6270
marysuec@umich.edu



Dr. Daniel Little
Chancellor (2000)
The University of Michigan
– Dearborn
(313) 593-5500
delittle@umd.umich.edu



Dr. Juan E. Mestas
Chancellor (1999)
The University of Michigan
– Flint
(810) 762-3322
jmestas@umflint.edu



Dr. Irvin D. Reid
President (1997)
Wayne State University
(313) 577-2230
president@wayne.edu
Chair, Presidents Council



Dr. Judith I. Bailey
President (2003)
Western Michigan
University
(269) 387-2351
judi.bailey@wmich.edu

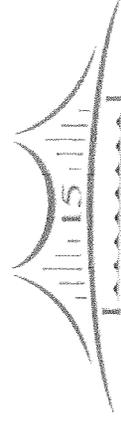


The Presidents Council, State Universities of Michigan, based in Lansing, is a nonprofit higher education association serving Michigan's 15 state universities. Each year, Michigan's public universities serve about 280,000 students, focusing on the delivery of excellent undergraduate and graduate education and equal educational opportunity.

The primary mission of the Presidents Council is to advocate higher education as a public good and to promote its collective value in serving the public interest and the State of Michigan.

Through the leadership of the presidents and chancellors of Michigan's 15 public universities and the support of the association's staff, the Presidents Council fulfills its primary mission by:

- **articulating** how the state universities serve the public good through educational, social, and economic development;
- **providing** research and information services to advance the policy and resource needs of the state universities;
- **enhancing** the ability of the state universities to achieve effective institutional performance, autonomous governance and public accountability; and
- **convening** forums of diverse stakeholders to develop a shared perspective on the value of public investment in higher education and the contributions of the state universities.



THE MICHIGAN FIFTEEN PUBLIC UNIVERSITIES

Gateways to Opportunity